
Issuer & Securities

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::FULL YEARLY RESULTS

Securities

RAFFLES EDUCATION CORP LTD - SG2C97968151 - NR7

Stapled Security

No

Announcement Details

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Financial Statements and Related Announcement

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Financial Results Announcement For The Financial Year Ended 30 June 2019.

Please refer to the attachment.

Additional Details

For Financial Period Ended

30/06/2019

Attachments

[REC-%20Financial%20Results%20Announcement%20for%20FY19%20-%2021%20Aug%202019.pdf](#)

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Item No.	Group		
		2019 \$'000	2018 \$'000	Increase/ (Decrease) %
Revenue	8.1	97,938	96,832	1
Other operating income	8.2	45,092	4,398	925
Personnel expenses		(43,511)	(43,070)	1
Other operating expenses	8.3	(43,150)	(49,322)	(13)
Finance costs		(16,801)	(15,508)	8
Depreciation and amortisation expenses	8.4	(13,829)	(12,394)	12
Loss allowance on trade receivables		(34)	(71)	(52)
Net fair value gain on investment properties	8.5	10,977	64,944	(83)
Share of results of joint ventures		(339)	(2,717)	(88)
Share of results of associates		277	1,689	(84)
Operating profit before income tax		36,620	44,781	(18)
Non-recurring costs from revamp and closure of colleges	8.6	(8,564)	(2,360)	263
Profit/ before income tax		28,056	42,421	(34)
Income tax credit/(expense)	8.7	13,051	(19,779)	NM
Profit after tax		41,107	22,642	82
Other comprehensive income, net of tax Items that will not be reclassified subsequently to profit or loss:				
Revaluation gain on transfer of owner-occupied property to investment property		8,580	4,136	107
Net change in fair value of financial assets at fair value through other comprehensive income		15	-	NM
Items that may be reclassified subsequently to profit or loss:				
Currency exchange differences arising on translating foreign operations	8.8	(37,106)	8,523	NM
Total comprehensive income		12,596	35,301	(64)
Attributable to:				
Equity holders of the Company		40,213	10,667	277
Non-controlling interests		894	11,975	(93)
Net profit		41,107	22,642	82
Attributable to:				
Equity holders of the Company		16,002	21,917	(27)
Non-controlling interests		(3,406)	13,384	NM
Total comprehensive income		12,596	35,301	(64)

NM – Not meaningful

1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

NOTES TO THE UNAUDITED FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Group		
	2019 \$'000	2018 \$'000	Increase/ (Decrease) %
Interest income ¹	621	1,178	(47)
Government grant ¹	67	62	8
Gain on disposal of property, plant and equipment ¹	16	65	(75)
Gain on disposal of subsidiary ¹	37,410	-	NM
Foreign exchange gain ¹	6,691	2,745	144
Foreign exchange loss ²	(3,746)	(5,442)	(31)
Bad trade receivables written off ^{2 4}	(246)	(155)	59
Property, plant and equipment written off ^{2 4}	(902)	(38)	2,274
Loss on disposal of property, plant and equipment ^{2 4}	(500)	(45)	1,011
Rental expenses ^{2 4}	(5,740)	(6,349)	(10)
Share-based payment ³	131	-	NM
Overprovision of income tax expense in prior periods	18,092	60	30,053

NM – Not meaningful

¹ included in other operating income

² included in other operating expenses

³ included in personnel expenses

⁴ included in non-recurring costs from revamp and closure of colleges

Non-recurring costs from revamp and closure of colleges	Group	
	2019 \$'000	2018 \$'000
Refund to students	84	-
Personnel costs	325	-
Rental expenses	183	-
Bad trade receivables written off	216	-
Property, plant and equipment written off	902	-
Loss on disposal of property, plant and equipment	360	-
Intangible assets written off	214	-
Impairment of goodwill	6,140	2,360
Other operating expenses	140	-
Total	8,564	2,360

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

We have included Adjusted EBITDA in this results announcement because it can provide a useful measure for period-to-period comparisons of our core business.

Net fair value gain on investment properties and gain on disposal of investment properties were included in the Adjusted EBITDA as the real estate investment and development segment is part of our core business.

ADJUSTED EBITDA	Group	
	2019 \$'000	2018 \$'000
Profit after tax	41,107	22,642
<u>Add/(less):</u>		
Gain on disposal of subsidiary	(37,410)	-
Government grant	(67)	(62)
Impairment of goodwill	6,140	2,360
Finance costs	16,801	15,508
Income tax (credit)/expenses	(13,051)	19,779
Depreciation and amortisation	13,829	12,394
Net foreign exchange (gain)/loss	(2,945)	2,697
Property, plant and equipment written off	902	38
Net loss/(gain) on disposal of property, plant and equipment	484	(20)
Share of results of joint ventures	339	2,717
Share of results of associates	(277)	(1,689)
Adjusted EBITDA	25,852	76,364

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE	Item No.	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets					
Property, plant and equipment	8.9	445,963	441,604	-	-
Investment properties	8.10	477,638	520,311	-	-
Investment in subsidiaries		-	-	450,622	455,625
Investment in joint ventures	8.11	14,046	21,429	-	-
Investment in associates	8.12	53,656	6,704	-	-
Financial assets at fair value through other comprehensive income		606	620	-	-
Intangible assets	8.13	106,572	118,962	423	358
Deferred tax assets		5,966	2,883	-	-
Other receivable	8.14	54,637	-	34,372	32,326
Restricted bank balances		3,530	3,496	-	-
		1,162,614	1,116,009	485,417	488,309
Current assets					
Inventories		141	135	-	-
Trade and other receivables	8.15	44,275	97,822	221,271	213,479
Cash and bank balances		34,808	46,127	163	423
		79,224	144,084	221,434	213,902
Less:					
Current liabilities					
Trade and other payables	8.16	55,483	46,007	260,624	216,181
Course and education service deferred income		13,625	11,909	-	-
Income tax payable		1,771	3,335	51	51
Borrowings	8.17	123,389	198,603	64,299	86,051
		194,268	259,854	324,974	302,283
Net current liabilities	8.18	(115,044)	(115,770)	(103,540)	(88,381)
Less:					
Non-current liabilities					
Trade and other payables	8.19	31,189	19,726	-	-
Borrowings	8.17	256,682	171,122	-	-
Deferred tax liabilities	8.20	63,641	81,661	-	-
		351,512	272,509	-	-
Net assets		696,058	727,730	381,877	399,928
Capital and reserves					
Share capital		554,337	554,337	554,337	554,337
Treasury shares		(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves		120,151	106,938	(132,777)	(114,726)
Equity attributable to equity holders of the Company		634,805	621,592	381,877	399,928
Non-controlling interests	8.21	61,253	106,138	-	-
Total equity		696,058	727,730	381,877	399,928

1(b)(ii) Aggregate amount of group's borrowings and debt securities

GROUP BORROWINGS AND DEBTS SECURITIES	Group	
	2019 \$'000	2018 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1,2}	114,018	186,730
Unsecured	9,371	11,873
	123,389	198,603
<u>Amount repayable after one year:</u>		
Secured ¹	256,682	171,122
	256,682	171,122
Total borrowings	380,071	369,725

Details of collateral

¹ Property mortgage loans of \$332,651,000.

² Bank borrowings of \$24,928,000 were secured by standby letter of credit collateralised by cash deposit of \$25,664,000.

For more details, refer to items 8.17.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE	Item No.	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Profit/(Loss) before income tax		28,056	42,421
Adjustments for:			
Depreciation for property, plant and equipment		13,369	11,821
Fair value gain on investment properties, net		(10,977)	(64,944)
Loss allowance on trade receivables		34	71
Amortisation of intangible assets		460	573
Impairment of goodwill		6,140	2,360
Bad trade receivables written off		246	155
Interest expense		16,801	15,508
Interest income		(621)	(1,178)
Loss/(gain) on disposal of property, plant and equipment, net		484	(20)
Gain on disposal of subsidiary		(37,410)	-
Property, plant and equipment written off		902	38
Intangible assets written off		444	49
Share-based payment		131	-
Share of results of joint ventures		339	2,717
Share of results of associates		(277)	(1,689)
Operating profit before working capital changes		18,121	7,882
Working capital changes:			
Inventories		(6)	(31)
Trade and other receivables		6,525	3,439
Course and education service deferred income		1,716	990
Trade and other payables		7,451	(6,546)
Cash generated from operations		33,807	5,734
Interest paid		(16,669)	(15,785)
Interest received		621	1,178
Income and withholding tax paid, net		(1,321)	(1,834)
Net cash from/(used in) operating activities	8.22	16,438	(10,707)
Cash flows from investing activities			
Additions of development costs and computer software		(153)	(526)
Additions of trademarks and licenses		(340)	(18)
Additions of property, plant and equipment	8.24	(49,213)	(23,209)
Additions of investment properties		(2,789)	(7,943)
Proceeds from disposal of property, plant and equipment		94	111
Proceeds from disposal of investment properties	8.23	5,681	4,532
Net cash flow on disposal of subsidiary ¹	8.23	8,392	-
Additional investment in a joint venture		(10)	-
Capital distributions from joint venture and associate		-	1,604
Refund of deposit for cancellation of purchase of land		-	10,315
Net cash used in investing activities		(38,338)	(15,134)

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE	Item No.	2019 \$'000	2018 \$'000
Cash flows from financing activities			
(Increase)/Decrease in fixed deposits and bank balances pledged		(855)	32,385
Loan from a Director		2,804	1,193
Net of proceeds from issue of shares		-	72,552
Repayment of loan to a director of subsidiaries		-	(2,144)
Repayment of advances from third party		-	(5,157)
Contribution from non-controlling interests		465	337
Payment for acquisition of non-controlling interest		-	(1,960)
Drawdown of borrowings	8.23	48,070	96,470
Repayment of borrowings	8.24	(32,413)	(172,896)
Advances from joint venture		-	9,912
Dividends payment to non-controlling interests		(901)	(316)
Net cash from financing activities		17,170	30,376
Net change in cash and cash equivalents		(4,730)	4,535
Cash and cash equivalents at beginning of financial year		18,705	15,142
Effect of exchange rate changes on cash and cash equivalents		(6,226)	(972)
Cash and cash equivalents at end of financial year – Note A	8.25	7,749	18,705

Note A:

Cash and cash equivalents	Item No.	2019 \$'000	2018 \$'000
Current			
Fixed deposits with banks		25,664	29,940
Cash and bank balances		9,144	16,187
Non-current			
Restricted bank balances		3,530	3,496
Cash and bank balances in the statement of financial position		38,338	49,623
Pledged fixed deposits and restricted bank balances		(27,059)	(27,422)
Restricted bank balances		(3,530)	(3,496)
Cash and cash equivalents in the statement of cash flow		7,749	18,705

¹ The carrying amount of the assets and liabilities of the subsidiary as of the date of disposal of subsidiary were as follows:

Derecognition of subsidiary	2019 \$'000	2018 \$'000
Property, plant and equipment	27,836	-
Investment properties	63,293	-
Trade and other receivables	677	-
Deferred tax liabilities	(8,123)	-
Non-controlling interest	(40,673)	-
Net assets disposed	43,010	-
Gain on disposal	37,410	-
Receivables from disposal of subsidiary	(72,028)	-
Net cash inflow on disposal of subsidiary	8,392	-

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

GROUP	Attributable to equity holders of the Company								Non-controlling Interests	Total Equity
	Share Capital	Treasury Shares	Revaluation reserve	Fair Value reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
FY2019										
Balance at 1 July 2018	554,337	(39,683)	11,571	-	7,165	2,453	85,749	621,592	106,138	727,730
Total comprehensive income	-	-	8,580	15	(32,806)	-	40,213	16,002	(3,406)	12,596
Share-based payment	-	-	-	-	-	131	-	131	-	131
Contribution from non-controlling interests in subsidiary	-	-	-	-	-	-	-	-	465	465
Assignment of dividend from non-controlling interests in subsidiary	-	-	-	-	6	-	(2,926)	(2,920)	(370)	(3,290)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(40,673)	(40,673)
Dividend	-	-	-	-	-	-	-	-	(901)	(901)
Balance at 30 June 2019	554,337	(39,683)	20,151	15	(25,635)	2,584	123,036	634,805	61,253	696,058
FY2018										
Balance at 1 July 2017, previously reported	481,785	(39,683)	7,435	-	(17,021)	2,453	92,181	527,150	93,081	620,231
Effects of adoption of SFRS(I) 1	-	-	-	-	17,021	-	(17,021)	-	-	-
Balance at 1 July 2017, restated	481,785	(39,683)	7,435	-	-	2,453	75,160	527,150	93,081	620,231
Total comprehensive income	-	-	4,136	-	7,114	-	10,667	21,917	13,384	35,301
Issue of shares	72,552	-	-	-	-	-	-	72,552	-	72,552
Change of ownership interest without loss of control	-	-	-	-	51	-	(78)	(27)	27	-
Contribution from non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	337	337
Dividend	-	-	-	-	-	-	-	-	(691)	(691)
Balance at 30 June 2018	554,337	(39,683)	11,571	-	7,165	2,453	85,749	621,592	106,138	727,730

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	FY2019				
Balance at 1 July 2018	554,337	(39,683)	2,453	(117,179)	399,928
Total comprehensive loss	-	-	-	(18,182)	(18,182)
Share-based payment	-	-	131	-	131
Balance at 30 June 2019	554,337	(39,683)	2,584	(135,361)	381,877
FY2018					
Balance at 1 July 2017	481,785	(39,683)	2,453	(94,458)	350,097
Total comprehensive loss	-	-	-	(22,721)	(22,721)
Issue of shares	72,552	-	-	-	72,552
Balance at 30 June 2018	554,337	(39,683)	2,453	(117,179)	399,928

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

SHARE CAPITAL

During the financial year ended 30 June 2019, no ordinary shares were repurchased.

During the financial year ended 30 June 2019, no ordinary shares were issued in respect of the conversion of share options.

As at 30 June 2019, the company has 1,458,446,772 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

SHARE OPTIONS

As at 30 June 2019, there was unexercised share options for 3,354,000 unissued ordinary shares (30 June 2018: 637,639) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 30 June 2019, there were 79,790,100 treasury shares (30 June 2018: 79,790,100).

- 1(d)(iii) To show total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

The total number of issued shares was 1,378,656,672 (excluding treasury shares) as at 30 June 2019 (30 June 2018: 1,378,656,672).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial year ended 30 June 2019.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagements (SSRE) 2400, or an equivalent standard)**

The figures have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has consistently applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited annual financial statements as at 30 June 2018, except as disclosed in note 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Singapore-incorporated companies listed on Singapore Exchange are required to apply a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s") for annual periods beginning on or after 1 January 2018.

The Group has adopted the new/revised SFRS(I)s and interpretations of SFRS(I) ("INT SFRS(I)") on 1 July 2018.

In adopting the new framework, the Group has applied the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I)s.

The adoption of these SFRS(I) and INT SFRS(I) did not have any significant impact on the Group's financial statements except for the following:

Optional exemption – cumulative translation differences

SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates requires an entity to recognise translation differences arising from the translation of foreign operations' results and financial position to the Group's presentation currency in other comprehensive income and accumulate these in a separate component of equity; and on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal. However, SFRS(I) 1 allows the Group (on initial adoption of the new framework on 1 July 2018) to be exempted from these requirements for cumulative translation differences that existed at the date of transition to SFRS(I)s (i.e. 1 July 2017).

The Group has elected to apply this exemption in the financial year beginning on 1 July 2018. Accordingly, the negative foreign currency translation reserve of \$17,021,000 as at 1 July 2017 will be deemed to be zero; and this amount was reclassified to accumulated profits on the same date.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 replaces most of the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

The Group previously accounts certain available-for-sale investment in unquoted equity instruments at cost less impairment loss. The Group has elected to recognise changes in the fair value of this unquoted equity instruments in other comprehensive income. On adoption of SFRS(I) 9, the impact of the change in fair value is assessed to be insignificant. "Available-for sale financial asset" is now shown as "Financial assets at fair value through other comprehensive income" in the Statement of Financial Position of the Group.

The Group has applied the simplified approach and record lifetime expected losses on all trade receivables and assessed to have no significant impact on the financial statements.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change (Cont'd)**

SFRS(I) 15 and Clarifications to SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In addition, it also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has assessed that there is no significant impact to the financial statements

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

Earnings Per Share (EPS) based on net profit attributable to shareholders of the Group	Group		Change +/- %
	2019	2018	
i) Based on the weighted average number of shares (in cents)	2.92	0.90	224
- Weighted average number of shares	1,378,656,672	1,181,945,937	
ii) On a fully diluted basis (in cents)	2.92	0.90	224
- Adjusted weighted average number of shares	1,378,656,672	1,181,945,937	

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

NET ASSET VALUE (NAV)	Group		Change +/- %	Company		Change +/- %
	2019	2018		2019	2018	
NAV per ordinary share (in cents)	46.05	45.09	2	27.70	29.01	(5)

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME

- (1) Group revenue increased by 1% from \$96.8 million for FY2018 to \$97.9 million for FY2019.
- (2) Increase in other operating income from \$4.4 million in FY2018 to \$45.1 million in FY2019 was mainly due to:
 - (a) The gain on disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd. ("LDZ Sino-Singapore Education Investment") of \$37.4 million; and
 - (b) Increase in foreign exchange gain of \$3.9 million.
- (3) Decrease in other operating expenses from \$49.3 million in FY2018 to \$43.2 million in FY2019 was mainly due to:
 - (a) Decrease in foreign exchange loss of \$1.7 million; and
 - (b) Tianjin University of Commerce Boustead College ("BC") purchased the Campus Facilities during the current financial year thus, BC did not need to pay \$2.8 million for the use of these facilities compared to FY2018.
- (4) Increase in depreciation and amortisation expenses from \$12.4 million in FY2018 to \$13.8 million in FY2019 was mainly due to the commencement of depreciation by Raffles American School (RASJB) in Iskandar upon completion of its campus construction late last year.
- (5) Net fair value gain on investment properties of \$11.0 million was recognised in FY2019 and mainly includes:
 - (a) \$8.3 million gain from the investment properties in Parramatta, Australia; and
 - (b) \$1.5 million gain from the investment properties in Iskandar, Malaysia.
- (6) Non-recurring costs from revamp and closure of colleges are mainly for Raffles College Pty Ltd ("RCDC") and Raffles College Beijing ("RABJ") which ceased operations during the year.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)**

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

(7) FY2019 income tax credit of \$13.1 million was mainly due to:

- (a) Reversal of prior years' tax provision from Oriental University Limited ("OUCL") of \$18.3 million as follows:
- i. The tax previously provided for the various sales of land and properties were reversed after the recent conclusion of the related tax filing with the relevant tax authority that these tax provisions were no longer required.
 - ii. Due to the settlement of the outstanding receivable from sale of 490mu land and properties into 34.1% equity interest in an associate, resulted in the reversal of the related tax provision on this receivable which was no longer required.

Offset by:

- (b) Provision for deferred tax expense in relation to net fair value gain on the investment properties of \$6.9 million.

FY2018 income tax expenses of \$19.8 was mainly due to provision for deferred tax expense on the net fair value gain.

- (8) The group recorded \$37.0 million in currency translation loss arising from consolidation of foreign operations. The currency translation loss arose mainly from the translation of Oriental University Holdings (H.K.) Limited ("OUCHK") and Oriental University Limited ("OUCL") (collectively "OUC") net asset value.

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2019 AND 30 JUNE 2018)

(9) Increase in property, plant and equipment ("PPE") from \$441.6 million in FY2018 ("ended 30 June 2018") to \$446.0 million in FY2019 ("ended 30 June 2019") was mainly due to:

- (a) additions of \$64.5 million, mainly from:
- (i) BC of \$50.4 million mainly for the purchase of Campus Facilities;
 - (ii) Wanbo Institute of Science & Technology ("WB") of \$3.9 million;
 - (iii) RASJB of \$6.2 million; and
 - (iv) Raffles University Iskandar of \$1.4 million.

Increase was mainly offset by:

- (b) Depreciation charge of \$13.4 million;
- (c) reclassification from PPE to investment properties ("IP") of \$8.0 million for the property in Parramatta, Australia (refer to item 8.10d);
- (d) disposal of LDZ Sino-Singapore Education Investment of \$27.8 million; and
- (e) Foreign currency translation loss of \$9.6 million.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)**

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2019 AND 30 JUNE 2018) (CONT'D)

(10) Decrease in IP from \$520.3 million in FY2018 to \$477.6 million in FY2019 was mainly due to:

- (a) Disposal of LDZ Sino-Singapore Education Investment of \$63.3 million; and
- (b) Foreign currency translation loss of \$20.5 million.

Decrease was mainly offset by:

- (c) Net fair value gain of \$11.0 million (refer to item 8.5);
- (d) Reclassification from PPE to IP of \$8.0 million (refer to item 8.9c);
- (e) revaluation gain in transferring owner-occupied property to IP of \$11.8 million relating to item 8.10d above;

(11) Decrease in investment in joint ventures from \$21.4 million in FY2018 to \$14.0 million in FY2019 was mainly due to a \$7.0 million equity distribution by the joint venture.

(12) Increase in investment in associates from \$6.7 million in FY2018 to \$53.7 million in FY2019 was mainly due to the settlement of the outstanding receivable of about \$47.8 million from sale of 490mu land and properties into 34.1% equity interest in Langfang He Zhong Real Estate Development Co., Ltd ("He Zhong")(refer item 8.15a), which has become an associate of the Group.

(13) Decrease in intangible assets from \$119.0 million to \$106.6 million was mainly due to :

- (a) Impairment of goodwill of \$6.1 million by RCDC as a result of the closure of the college;
- (b) Amortisation charge of \$0.5 million.
- (c) Foreign currency translation loss of \$5.4 million.

(14) The non-current other receivables of \$54.6 million relates to the non-current portion of the receivable from disposal of LDZ Sino-Singapore Education Investment.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2019 AND 30 JUNE 2018) (CONT'D)

(15) Breakdown of current trade and other receivables as follows:

	30/06/19 \$'000	30/06/18 \$'000
Current trade receivables:		
Trade receivables, net	2,298	2,242
Current other receivables:		
Third parties	885	184
Receivable from sale of investment properties ^(a)	-	55,329
Receivable from disposal of subsidiary ^(b)	16,352	-
Prepayments	5,413	17,978
Deposits	8,125	9,925
Receivable from former joint venture	145	153
Joint ventures	9,003	8,813
Tax recoverable	1,536	1,796
Others	518	1,402
	41,977	95,580
Total current trade and other receivables	44,275	97,822

Notes to current trade and other receivables:

- (a) Amount due from sale of 490 mu land and properties of \$Nil (FY2018: 55.3 million). \$5.7 million was collected during the year and the balance settled via investment of equity interest in associate, He Zhong (refer item 8.12).
- (b) Current portion of amount due from disposal of LDZ Sino-Singapore Education Investment.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2019 AND 30 JUNE 2018) (CONT'D)

(16) Breakdown of current trade and other payables as follows:

	30/06/19 \$'000	30/06/18 \$'000
Current trade payables:		
Third parties	3,284	1,979
Current other payables:		
Other accruals	14,439	8,848
Accruals for property and land use tax	100	203
Accruals for business tax	838	787
Accruals for capital expenditure	6,170	3,666
Amount due to a joint venture	-	9,913
Amount due to a Director	15,767	13,066
Payable for assignment of the dividend from non-controlling interest in subsidiary	3,265	-
Payable for land in Iskandar	-	2,519
Payable for purchase of Campus Facilities by BC	6,815	-
Dividend payable to non-controlling interest	-	368
Other payables	4,805	4,658
	52,199	44,028
Total current trade and other payables	55,483	46,007

(17) Increase in borrowings from \$369.7 million in FY2018 to \$380.1 million in FY2019 was mainly due to:

- (a) Drawdown of \$48.1 million borrowings of which \$22.2 million was for the settlement of the outstanding payable of RASJB land purchase;

Decrease was mainly offset by:

- (b) Repayment of \$32.4 million borrowings.
(c) Foreign currency translation gain of \$5.4 million.

(18) Net current liabilities in FY2019 consist of borrowings amounting to \$89.5 million which can be refinanced. The Group also intends to divest some of its assets including its property in Parramatta, Australia.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2019 AND 30 JUNE 2018) (CONT'D)

(19) Non-current trade and other payables mainly relates to amount payable for the purchase of 45 acres of land for RASJB of \$Nil (FY2018: \$19.4 million) and non-current portion of amount payable for Campus Facilities of \$25.1 million (FY2018: \$Nil).

(20) Breakdown of deferred tax liabilities for FY2019 as follows:

	Accelerated tax depreciation on PPE \$'000	Fair value adjustment on investment properties \$'000	Divestment of land and properties \$'000	Others \$'000	Total \$'000
Balance at 30 Jun 2018	550	48,893	32,233	(15)	81,661
Charged to equity	-	3,254	-	-	3,254
(Credited)/Charged to profit or loss	109	6,928	(16,769)	(21)	(9,753)
Disposal of subsidiary	-	(8,123)	-	-	(8,123)
Foreign currency realignment	(7)	(2,104)	(1,287)	-	(3,398)
Balance at 30 Jun 2019	652	48,848	14,177	(36)	63,641

(21) Non-controlling interests as at 30 June 2019 represent mainly the non-controlling shareholders' equity interests in OUCHK.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(22) Net cash from operating activities amounted to \$16.4 million.

(23) Major contributors of cash inflows were:

- (a) Drawdown of borrowings of \$48.1 million;
- (b) Proceeds from disposal of subsidiary of \$8.4 million; and
- (c) Proceeds from disposal of investment properties of \$5.7 million.

(24) Major cash outflows were:

- (a) Purchase of property, plant and equipment of \$49.2 million; and
- (b) Repayment of borrowings of \$32.4 million.

(25) The Group's cash position was \$7.7 million at the end of FY2019 (FY2018: \$18.7 million).

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast was made. The Group's operations are generally in line as stated in item 10 of the Group's results announcement for the financial period ended 31 March 2019.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The current global trade tensions and currency volatility continue to impact the Group.

The Group will continue to strengthen its operations.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision

No dividend has been declared for the current financial period as the Company does not have accumulative profits to declare dividend under Singapore Companies Act.

13. If the Company has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the SGX-ST Listing Manual. If no IPT mandate has been obtained, a statement to that effect

Not applicable as The Group does not have in place a general mandate for interested person transactions.

14. Confirmation that the company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual

The Board confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

(i) Business Segments

2019

	Education \$'000	Real Estate Investment & Development \$'000	Education Facilities Rental Service \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	78,028	5,309	14,590	11	97,938
Inter-segment revenue	22	1,698	686	10,431	12,837
Interest income	172	250	199	-	621
Gain on disposal of subsidiary	-	37,410	-	-	37,410
Net fair value gain on investment properties	1,486	8,173	1,006	312	10,977
Finance cost	(8,173)	(1,724)	(190)	(6,714)	(16,801)
Depreciation and amortisation	(9,652)	(1,378)	(338)	(2,461)	(13,829)
Impairment of goodwill	(6,140)	-	-	-	(6,140)
Share of results from joint ventures	-	-	-	(339)	(339)
Share of results from associates	(17)	774	(480)	-	277
Reportable segment profit/(loss) before income tax	(9,361)	45,699	8,253	(16,535)	28,056
Net profit/(loss) for the financial year	(7,021)	59,395	5,227	(16,494)	41,107
<u>Other information:</u>					
Additions to property, plant and equipment	64,255	263	18	10	64,546
Additions to investment properties	-	1,419	2,467	-	3,886
Additions to intangible assets	80	-	-	82	162
Investment in joint ventures	-	-	-	14,046	14,046
Investment in associates	817	47,865	4,974	-	53,656
Segment assets	405,682	285,384	242,307	89,887	1,023,260
Segment liabilities	(220,981)	(59,743)	(5,894)	(193,750)	(480,368)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (Cont'd)

(ii) Business Segments

2018

	Education \$'000	Real Estate Investment & Development \$'000	Education Facilities Rental Service \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	79,006	4,649	13,159	18	96,832
Inter-segment revenue	510	1,841	726	11,950	15,027
Interest income	186	879	113	-	1,178
Net fair value gain on investment properties	1,655	28,131	34,474	684	64,944
Finance cost	(3,029)	(1,647)	(533)	(10,299)	(15,508)
Depreciation and amortisation	(8,024)	(1,408)	(341)	(2,621)	(12,394)
Impairment of goodwill	(2,360)	-	-	-	(2,360)
Share of results from joint ventures	-	-	-	(2,717)	(2,717)
Share of results from associates	(8)	-	1,697	-	1,689
Reportable segment profit/(loss) before income tax	5,317	24,055	42,633	(29,584)	42,421
Net profit/(loss) for the financial year	5,429	15,330	31,456	(29,573)	22,642
<u>Other information:</u>					
Additions to property, plant and equipment	12,452	23	389	-	12,864
Additions to investment properties	-	2,143	-	-	2,143
Additions to intangible assets	456	-	-	80	536
Investment in joint ventures	-	-	-	21,429	21,429
Investment in associates	834	-	5,870	-	6,704
Segment assets	361,958	360,788	244,597	93,149	1,060,492
Segment liabilities	(168,870)	(62,054)	(6,437)	(210,006)	(447,367)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (Cont'd)

(i) Geographical segments

	Asean \$'000	North Asia \$'000	South Asia \$'000	Australasia \$'000	Europe \$'000	Total \$'000
2019						
Revenue from external customers	34,454	55,844	1,133	3,740	2,767	97,938
Non-current assets	346,071	652,028	9,924	72,004	72,485	1,152,512
2018						
Revenue from external customers	32,310	56,697	1,177	4,765	1,883	96,832
Non-current assets	353,499	609,147	10,663	63,069	72,632	1,109,010

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

The percentage of revenue in FY2019 for Education, Real Estate Investment and Development, and Education Facilities Rental Service is approximately 79.7% (FY2018: 81.6%), 5.4% (2018: 4.8%) and 14.9% (FY2018: 13.6%) respectively.

17. A breakdown of sales

		Group		Increase/ (Decrease) %
		30/06/19 \$'000	30/06/18 \$'000	
(a)	Sales reported for first half year	48,687	48,832	-
(b)	Profit after tax reported for first half year	(15,510)	(6,823)	127
(c)	Sales reported for second half year	49,251	48,000	3
(d)	Profit after tax reported for second half year	56,557	29,465	92

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Doris Chung Gim Lian	50	Spouse of Mr. Chew Hua Seng, Chairman and CEO of Raffles Education Corporation Limited ("REC")	Executive Director since 1 September 2018	Prior position: Director of Operations
Chew Han Wei	29	Son of Mr. Chew Hua Seng, Chairman and CEO of REC	Vice President (Europe & India Operations since 1 st Dec 2017) Director of IT since 1 st May 2018	Nil
Chew Han Qiang	26	Son of Mr. Chew Hua Seng, Chairman and CEO of REC	Assistant Vice President (Thailand Operations) since Jan 2018	Nil

BY ORDER OF THE BOARD

Chew Hua Seng
Chairman
21 August 2019